



## OFFICE OF GOVERNOR MARK DAYTON

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# Budget for a Better Minnesota

## *Investing in the Middle Class*

**The budget passed by Governor Dayton and the DFL legislature puts fairness back in the system. It strengthens Minnesota's middle class and our economy by lowering property taxes and making investments in education and job creation to move Minnesota forward.**

**The budget closes the deficit for the long term and makes spending cuts and reforms. It pays for new investments in education and job creation by asking the richest 2% of Minnesotans to pay their fair share and closing corporate tax loopholes.**

- ✓ **A Historic Investment in Education:** For the first time in its history, Minnesota will offer All-Day Kindergarten to every child in Minnesota. We are giving thousands of children access to high-quality preschool and child care. And we are freezing tuition for the next two years at the University of Minnesota and all MnSCU campuses and increasing student financial aid to make higher education more affordable for middle class families. With nearly a billion dollars in new money for education, this budget invests in every learner in Minnesota – from early education through higher education. This new funding will help give our kids access to a world-class education and train the best-educated workforce in the world. This budget will also eliminate the school shift by the end of the next biennium.
- ✓ **A Growing Economy that Creates Middle Class Jobs** – Minnesotans need a strong economy for good jobs, living wages, and a strong middle class. That is why the Governor and the DFL legislature took bold action this session to create jobs, strengthen our infrastructure, and make our state a more competitive place to do business. The budget enacted this session invests in job creation efforts that will leverage billions of dollars in private sector investment in Minnesota's economy, make our state a more competitive place to do business, and get tens of thousands of Minnesotans back to work.
- ✓ **Property Tax Relief for Minnesotans** – Property taxes have increased by 86% statewide over the past decade, with increases falling hardest on the middle class, seniors, and small businesses. This session, we invested over \$441 million in property tax relief for Minnesotans by restoring the state's commitment to

cities, counties, and school districts, and providing direct relief to homeowners and renters.

- ✓ **A Fair Tax System** – According to the Minnesota Department of Revenue, low- and middle-income Minnesotans pay 20% more of their income in state and local taxes than the wealthiest Minnesotans. In order to honestly resolve our state's budget deficit, make new investments to strengthen the middle class, and invest over \$441 million in property tax relief for Minnesotans, the budget enacted this session asks the wealthiest 2% of Minnesotans to pay 2% more in income taxes. With an average income of over \$617,000, the richest 2% are the only Minnesotans who are asked to pay more in income taxes.
- ✓ **A Fair and Balanced Budget** – A decade of deep cuts, games and gimmicks have caused Minnesota to lurch from one budget crisis to the next; limiting our ability to fund education and job creation. This session, the Governor and DFL legislature put an end to roller-coaster deficits with a fair and balanced budget that puts Minnesota on sound fiscal footing and delivers investments to strengthen the middle class.

## A Historic Investment in Education

- ✓ **New Funding for E-12 Education** – The Governor delivered again on his promise to increase education funding every year; no exceptions, no excuses. This session we invested another \$485 million in Minnesota's E-12 education system.
- ✓ **Paying Back Our Schools** – The previous legislature borrowed \$2.7 billion from our K-12 schools. To make our schools whole again, we accelerated a plan to pay back our students in full by 2014.
- ✓ **All Day Kindergarten for Every Student** – Every child will now have access to free, all-day Kindergarten. This new measure will narrow our state's achievement gap and help prepare every child for success in school and life.
- ✓ **Early Childhood Scholarships** – Thousands more young learners will gain access to high-quality early learning in preschool and child care. This initiative will deliver a 16 to 1 return on investment, and prepare our kids for success in school and life.
- ✓ **Significant Tuition Relief** – Recent budgets have slashed higher education funding, leaving students to pick up the tab for skyrocketing tuition and burying

families in debt. This session we invested \$250 million in higher education and directed those resources to tuition and debt relief for middle class students. And we are freezing tuition for the next two years at the University of Minnesota and all MnSCU campuses.

- ✓ **A Historic Investment in Direct Financial Aid** – State financial assistance has not kept pace with rising tuition and the other increased costs of post-secondary education. That is why the budget enacted by Governor Dayton invests an additional \$46 million in the State Grant program, which will provide more than 100,000 Minnesotans with financial aid.

## A Growing Economy That Creates Middle Class Jobs

- ✓ **Major New Investments in Job Creation.** Highlighted by the Mayo Clinic Destination Medical Center, this budget contains provisions to support growth and expansion for a number of Minnesota companies. State investments in 3M, Mall of America, and Baxter International will help create tens of thousands of new jobs in Minnesota.
- ✓ **Attracting and Retaining Businesses** – By investing \$30 million in the Minnesota Investment Fund, we were able to provide more competitive loans that will bring new businesses to Minnesota, help existing businesses expand, and create thousands of new jobs for Minnesotans.
- ✓ **Leveraging Private Investment to Create Jobs** – We created a new performance-based business incentive initiative to create thousands of jobs and leverage \$450 million in private investment.
- ✓ **Building the Infrastructure Businesses Need** – By increasing funding for the Transportation Economic Development initiative, we invested in road and bridge improvements that will promote economic development and put people to work today.
- ✓ **Making Minnesota Globally Competitive** – By making new investments in global trade, we will finally have the resources to help expand Minnesota exports and connect our state's small businesses with trade partners in foreign markets – which will support thousands of jobs here in Minnesota.
- ✓ **Cutting Taxes for All Minnesota Employers** – We cut unemployment insurance taxes by \$346.5 million, saving Minnesota employers more money to invest in their businesses and our economy.
- ✓ **Making it Easier to Do Business in Minnesota** – Right now, when businesses invest in new capital equipment, they pay sales tax and get reimbursed later.

More than 1,700 companies received capital equipment sales tax exemptions in 2012, totaling over \$182 million in refunds. Under the Governor's budget, businesses would instead receive an upfront tax exemption for these purchases, starting in FY2016. This will provide simplicity for businesses and spur additional growth.

- ✓ **Helping Greater Minnesota Businesses Recruit Workers** – This budget provides a sales tax exemption for established businesses in Greater Minnesota that add employees and a tax credit for those who hire interns in Greater Minnesota.
- ✓ **A Missed Opportunity in Bonding** – This budget includes a bonding bill that will put Minnesotans back to work on significant projects such as the renovation of the State Capitol. Unfortunately, opposition from Republicans prevented passage of a larger bonding bill that would have provided funding for the Security Fence at the Shakopee prison, downtown revitalization projects in Mankato, Rochester, and St. Cloud, and numerous state college and university buildings.

## A Fair Tax System

- ✓ **Asking the Richest 2% to Pay Their Fair Share** – Right now, the richest 2% of Minnesotans earn an average \$617,000, but they pay 20% less as a share of their income in state and local taxes than middle-class Minnesotans. This session, we asked the wealthiest Minnesotans to pay just 2% more in income taxes, in order to make needed investments in education and job creation.
- ✓ **Closing Corporate Tax Loopholes** – For years, corporate tax loopholes have given some large businesses an unfair advantage, sheltering them from paying some state taxes. Only four out of ten corporations in Minnesota paid taxes last year. This session, we closed those loopholes, providing over \$400 million to invest in better education and job creation.
- ✓ **Significant Property Tax Relief** – Property taxes have gone up 86% over the last decade, with increases falling hardest on the middle class, seniors, and small businesses. This session, we invested \$441 million in property tax relief for Minnesotans by restoring the state's commitment to cities, counties, and school districts, and providing direct relief to homeowners and renters.
- ✓ **Eliminating Sales Taxes for Cities and Counties** – We took another important step to restore our commitment to local governments this session. By eliminating \$172 million in sales taxes for cities and counties, we helped further reduce property taxes for families, seniors, and small businesses.